24 May 2018

TATE & LYLE

TATE & LYLE PLC STATEMENT OF FULL YEAR RESULTS

For the year ended 31 March 2018

Year ended 31 March Continuing operations £m unless stated otherwise	Statutory results 2018	2017	Change	Adjusted results[1] 2018	2017	Constant currency change
Sales	**2 710**	2 753	(2%)			(1%)
Profit before tax (PBT)	**286**	233	23%	**301**	271	13%
Diluted earnings per share	**56.1p**	54.2p	4%	**50.1p**	47.1p	7%
Net debt - at 31 March	**392**	452				
Dividend per share	**28.7p**	28.0p				

Actions to accelerate business performance

- Growth strategy refocused around three programmes:
  - Sharpen focus on our customers and key categories of beverages, dairy, and soups, sauces and dressings
  - Accelerate portfolio development: innovation, partnerships, acquisitions
  - Simplify the business and deliver US$100m productivity improvements over four years
- As programmes gather momentum, we expect:
  - Growth[2] in earnings per share to accelerate
  - Organic return on capital employed[2] to improve
  - Strong cash generation to support progressive dividend policy
- Acquired minority stake in Sweet Green Fields, a leading stevia business

Reporting changes

- Two divisions renamed: Primary Products and Food & Beverage Solutions (including Sucralose)
- Three reporting segments: Primary Products, Food & Beverage Solutions, Sucralose

Year of progress: profit and cash delivery

- 13% increase in adjusted profit before tax at constant currency with profit growth in all businesses
- 8% increase in Food & Beverage Solutions profit[3] to £137m, with good volume and New Products momentum
- 5% increase in Sucralose profit[3] to £55m
- 30% increase in Primary Products profit[3] to £166m, 11% profit[3] growth in main business, Commodities +£24m
- 7% increase in earnings per share[4] at constant currency
- £53m higher Group statutory profit before tax with improved trading and lower exceptional costs
- Net debt £60m lower, with adjusted free cash flow £22m higher at £196m
- Proposed final dividend increased by 0.5p to 20.3p per share; making a total dividend of 28.7p, up 2.5%

Nick Hampton, Chief Executive, said:

"Tate & Lyle delivered another year of progress, with good profit and cash delivery. Profit increased in all businesses, cash generation remained strong, and return on capital employed increased by 190 bps to 16.2%. The Group remains in a strong financial position, increasingly well-positioned to address growing consumer demand for healthier diets with less sugar, calories and fat and more fibre.

To accelerate business performance and inject more pace into the organisation, we are implementing three programmes to sharpen our focus on our customers, accelerate portfolio development and to simplify the business and deliver greater productivity.

For the year ending 31 March 2019, we expect growth in earnings per share[4] in constant currency to be in a mid-single digit range, albeit towards the lower end due to energy and transport cost inflation in North America and a strong year of Commodities performance in fiscal 2018. Looking further ahead, as our three programmes gather momentum, we expect growth in earnings per share[2] to accelerate, organic return on capital employed[2] to improve and strong cash generation to support our progressive dividend policy."

1 The results for the year ended 31 March 2018 have been adjusted to exclude exceptional items, net retirement benefit interest, amortisation of acquired intangible assets, the tax on those adjustments and tax items that themselves meet these definitions. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information.
2 In constant currency
3 Adjusted operating profit, percentage change in constant currency
4 Adjusted diluted earnings per share from continuing operations

FINANCIAL HIGHLIGHTS

Year ended 31 March Continuing operations	2018 £m	2017 £m	Change	Constant currency change
Sales:				
– Food & Beverage Solutions	**850**	834	2%	2%
– Sucralose	**146**	162	(10%)	(9%)
– Primary Products	**1 714**	1 757	(2%)	(1%)
Sales	**2 710**	2 753	(2%)	(1%)
Adjusted operating profit				
– Food & Beverage Solutions	**137**	129	5%	8%
– Sucralose	**55**	52	6%	5%
– Primary Products	**166**	129	28%	30%
– Central	**(58)**	(46)		
Adjusted operating profit	**300**	264	14%	15%
Adjusted net finance expense	**(27)**	(25)		
Share of profit after tax of joint ventures and associates	**28**	32	(14%)	(14%)
Adjusted profit before tax	**301**	271	11%	13%
Adjusted effective tax rate	**21.9%**	18.2%		
Adjusted diluted earnings per share	**50.1p**	47.1p	6%	7%
Adjusted free cash flow	**196**	174		
Net debt – at 31 March	**392**	452		

The results for the year ended 31 March 2018 have been adjusted to exclude exceptional items, net retirement benefit interest, amortisation of acquired intangible assets, the tax on those adjustments and tax items that themselves meet these definitions. A reconciliation of statutory and adjusted information is included in Note 3 to the Financial Information.

- Food & Beverage Solutions adjusted operating profit £8m higher:
  - Good volume growth and recovery of stabilisers (formerly Food Systems) in Europe.
  - Investment in longer term development of the business and higher transport costs moderated profit growth.
  - 15% increase in sales from New Products, products in the first seven years after launch, to US$121m.
- Primary Products adjusted operating profit £37m higher:
  - Sweeteners and Starches profit £13m higher with robust margins, mix improvements, and cost management.
  - Commodities profit £24m higher reflecting market opportunities across co-products and corn sourcing.
- Central costs increased to £58m, principally reflecting higher captive insurance claims.
- Share of profit after tax of joint ventures and associates of £28m, £4m lower, reflecting lower profits in the Almex joint venture in Mexico due to the lapping of prior year exchange gains.
- Adjusted effective tax rate for continuing operations of 21.9% (2017 – 18.2%):
  - Impact of changes in tax legislation in the UK and an increase in profits generated in the US, a jurisdiction with a higher rate of corporation tax in the year.
  - Estimate that the adjusted effective tax rate for the 2019 financial year will be in the range of 20% to 22%.
- Statutory diluted earnings per share from continuing operations increased by 4% to 56.1p; strong operating performance mostly offset by the impact of a higher statutory tax rate of 8.1% (2017 – credit of 9.6%).
- Adjusted free cash flow increased to £196m benefiting from higher earnings and lower capital expenditure at £131m (2017 – £153m). Capital expenditure for 2019 financial year is expected to be between £130m and £150m.
- Net debt at £392m was £60m lower:
  - Strong cash flow generation and £35m beneficial impact from foreign exchange translation of US dollar debt.
  - Additional £56m accelerated contribution to US pension schemes, moving schemes close to full funding.
  - Net debt:EBITDA (on a financial covenant basis) reduced to 0.8x (31 March 2017 – 0.9x).
- The sensitivity of the Group's results to changes in US dollar currency translation rates has increased reflecting higher profits earned in that currency. For the year ending 31 March 2019, it is expected that the annual impact of a one cent change on adjusted profit before tax would be around £2.5m.
- As a result of the improved funding status of the Group's pension schemes, the Group no longer intends to exclude net retirement benefit interest from its alternative performance measures from the 2019 financial year, and will restate 2018 adjusted performance metrics for the £5m charge in that year for comparative purposes.

ACCELERATING BUSINESS PERFORMANCE

At the presentation of the Group's Full Year Results to investors and analysts at 10.00 (BST) today in London, Nick Hampton, Chief Executive, will set out his priorities for the business and the Group's longer term financial outlook. This presentation will be webcast as detailed on page 4.

An integrated business with a strong value proposition

Tate & Lyle operates as one integrated business going to market as two trading divisions. Food & Beverage Solutions and Primary Products each has a distinct role to play, and both are important to the Group's future. They share common assets and we manage them together to optimise overall returns for shareholders.

Food & Beverage Solutions, which operates in the large and growing global food ingredients market, combines a deep understanding of sweetness, texture and fibre enrichment with expertise in key categories of beverages, dairy, and soups, sauces, and dressings, to tailor solutions for our customers. These solutions help meet growing global consumer demand for food and drink with less sugar, calories and fat, and more fibre. While food is global, taste is local, so our customers also value our ability to deliver solutions in their local markets.

Primary Products is predominantly anchored in the more stable North American market, with strong market positions in high-volume sweeteners and industrial starches, and supported by scale, cost competitive assets.

Underpinning our business is a reputation built over many years as a trusted supplier, with highly skilled people motivated by a strong sense of purpose to improve people's lives by enabling healthier food choices.

Actions to accelerate business performance

Leveraging these strengths and our strong balance sheet, we are implementing three programmes to accelerate business performance:

1. <u>Sharpen Focus on Customers and Key Categories</u>
   - Focus our growth strategy on three categories globally – beverages, dairy, and soups, sauces and dressings – and two or three additional categories in each region where we have local expertise.
   - Reorganise our commercial teams to reflect how our customers are organised in these categories.
   - Integrated Food Systems into Food & Beverage Solutions to provide one approach for customers.

2. <u>Accelerate Portfolio Development</u>
   - Accelerate development and commercialisation of new products.
   - Develop more external partnerships and alliances to catalyse innovation.
   - Increase emphasis on acquisitions and joint ventures.

3. <u>Simplify and Drive Productivity</u>
   - Target US$100 million of productivity savings over the next four years.
   - Simplify the business, reduce costs, and increase efficiencies across the supply chain.
   - Productivity benefits expected to be paced evenly across the four years, and will be invested to grow the business, improve customer service, and support margin progression.

Investment case

In Food & Beverage Solutions, we expect to accelerate revenue growth and deliver margin accretion, while managing Sucralose for cash; and in Primary Products optimise product mix to underpin stable earnings and cash flow delivery. As the three programmes we are implementing gather momentum, we expect growth in earnings per share in constant currency to accelerate, organic return on capital employed in constant currency to improve, and strong cash generation to support our progressive dividend policy.

Tate & Lyle is in a strong financial position. We generate a good return on our assets and have a strong balance sheet with modest leverage. We believe the appropriate leverage over the longer term for our business lies in the range of 1x to 2x net debt:EBITDA, giving us flexibility to invest and grow the business. To maintain our financial position and investment grade credit rating, we will apply clear capital allocation priorities:

- Invest in sustainable organic growth
- Fund acquisitions, partnerships or joint ventures to accelerate growth
- Maintain our progressive dividend policy
- Return surplus capital to shareholders

Overall, we are in a strong financial position with clear priorities to accelerate growth.

Cautionary statement

This Statement of Full Year Results contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Tate & Lyle PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

A copy of this Statement of Full Year Results for the year ended 31 March 2018 can be found on our website at www.tateandlyle.com. A hard copy of this statement is also available from the Company Secretary, Tate & Lyle PLC, 1 Kingsway, London WC2B 6AT.

SPLENDA® is a trademark of Heartland Consumer Products LLC.

Webcast and Conference Call Details

A presentation of the results by Chief Executive, Nick Hampton will be audio webcast live at 10.00 (BST) on Thursday 24 May 2018. To view and/or listen to a live audio-cast of the presentation, visit http://view-w.tv/797-1031-19725/en. Please note that remote listeners will not be able to ask questions during the Q&A session.

A webcast replay of the presentation will be available within two hours of the end of the live broadcast on the link above.

For those unable to view the webcast, there will also be a teleconference facility for the presentation. Details are given below:

Dial in details:
UK dial in number: +44 (0) 20 3003 2666
US dial in number: +1 212 999 6659
Password: Tate & Lyle

14 day conference call replay:
UK replay number: +44 (0) 20 8196 1998
US replay number: +1 866 583 1039
Access pin: 4204776#

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DIVISIONAL OPERATING PERFORMANCE

Food & Beverage Solutions

Year ended 31 March Continuing operations	2018 Volume Change
Volume	
North America	**1%**
Asia Pacific and Latin America	**7%**
Europe, Middle East and Africa	**6%**
Total	**3%**

	2018 £m	2017 £m	Change %	Constant currency change %
Sales				
North America	**416**	420	(1%)	–%
Asia Pacific and Latin America	**184**	176	4%	5%
Europe, Middle East and Africa	**250**	238	5%	1%
Total	**850**	834	2%	2%
Adjusted operating profit	**137**	129	5%	8%

The Group has made changes to its reportable segments which are explained on page 16 of this statement.

Volume growth and encouraging performance while we continue to invest for longer-term growth

Volume grew by 3%, with growth in all regions including a return to growth in North America. Sales were 2% higher in constant currency at £850 million. Adjusted operating profit was 8% higher in constant currency reflecting both higher volume and the recovery of our stabiliser business (formerly Food Systems) following the successful consolidation of our blending facilities in Europe and the lapping of the £5 million write down of an unrecoverable debt.

During the year, we invested in the expansion of customer-facing applications laboratories in the emerging markets and invested in our offer to customers by selectively balancing competitive price positioning and growing margins. These decisions, together with increasing North American transport costs, moderated profit growth in the second half of the year.

The effect of currency translation was to increase sales by £1 million, but reduce adjusted operating profit by £2 million.

North America

In North America, market conditions continued to be challenging as the overall US food and beverage market remained flat with consumers increasingly seeking alternatives to traditional brands, and many of our largest customers experiencing end market softness. Despite this, volume grew 1% as we: (1) continued to win new business in targeted higher-growth sub-categories across dairy, bakery and health and nutrition, where our technical depth and expertise are providing increasing value to our customers; (2) developed our business in customer channels growing faster than the market, such as food service and own label; and (3) gained share in our larger food and beverage customers.

Sales in constant currency were flat at £416 million, reflecting product mix and pass through of lower corn costs.

Asia Pacific and Latin America

In Asia Pacific and Latin America, volume was 7% higher, with especially strong growth in China and Mexico. Sales increased by 5% in constant currency to £184 million.

In Latin America, Mexico saw double digit volume growth, with particularly strong demand for sweeteners helped by favourable market dynamics. In Brazil, we delivered double digit volume growth, mainly driven by texturant and sweetener sales in the dairy category. Weakness in the Venezuelan market led to double digit decline in volume in the Andean region.

In Asia Pacific, we delivered strong double digit volume growth in China with good growth in dairy and beverages, while in South Eastern Asia volume was lower due to a competitive sweetener market.

During the year, we expanded our customer-facing applications facilities in Shanghai, Singapore and Mexico City, and completed the expansion of manufacturing capacity at our polydextrose fibre facility in Nantong, China.

Europe, Middle East and Africa

In Europe, Middle East and Africa, volume increased by 6% driven by double digit volume growth both in Southern Europe, where sweetener demand in beverages was strong, and in Central Europe, reflecting good demand for our texturant solutions in soups, sauces and dressings. In Russia, stabiliser volume was significantly lower following a customer credit issue in the prior year. Sales at £250 million increased by 1% in constant currency, impacted by lower mix of stabiliser sales.

To meet increasing customer demand, during the year we announced an expansion of maltodextrin capacity at our facility in Slovakia, which is expected to come on line in the 2019 calendar year.

New Products

Volume of New Products grew by 24%. Sales increased by 15% to US$121 million or £91 million (2017 – US$105 million or £81 million).

Higher sales in texturants were led by growth in clean label starches and in our range of Non-GMO products. Our CLARIA® line of functional clean label starches continues to perform well, with a new line of instant starches released in the year and a promising customer pipeline. We continue to broaden our offering of Non-GMO solutions in line with this growing consumer trend.

The replacement of sugar in beverages led to higher sales of our stevia portfolio of products, with PUREFRUIT™, our monk fruit extract high intensity sweetener, also performing well. In April 2017, we entered into an exclusive partnership with Sweet Green Fields, one of the largest fully integrated stevia players. Reflecting the encouraging progress demonstrated over the first year of this partnership, in May 2018, we extended our relationship by acquiring a 15% shareholding in Sweet Green Fields.

Sucralose

	2018 £m	2017 £m	Change %	Constant currency change %
Volume			(12%)	
Sales	**146**	162	(10%)	(9%)
Adjusted operating profit	**55**	52	6%	5%

The Group has made changes to its reportable segments which are explained on page 16 of this statement.

Value-based strategy delivering returns

As expected, Sucralose volume reduced by 12% reflecting the sale of excess inventory in the first half of the comparative year following the completion of the transition to our facility in McIntosh, Alabama in March 2016. Pricing was firm with sales 9% lower in constant currency at £146 million. While volume was lower, our McIntosh facility continued to operate well and at close to capacity, delivering lower operating costs, and adjusted operating profit was 5% higher in constant currency at £55 million.

While overall market demand for sucralose continues to grow over the longer term, market prices are expected to moderate reflecting increases in industry supply from Chinese manufacturers.

The effect of currency translation was to reduce sales by £1 million, with no impact on adjusted operating profit.

Primary Products

Year ended 31 March Continuing operations	2018 Volume Change
Volume	
North American Sweeteners	3%
North American Industrial Starches	0%
Total Primary Products	1%

	2018 £m	2017 £m	Change %	Constant currency change %
Sales				
Total Primary Products	1 714	1 757	(2%)	(1%)
Adjusted operating profit				
Sweeteners and Starches	134	121	10%	11%
Commodities	32	8	311%	333%
Total Primary Products	166	129	28%	30%

The Group has made changes to its reportable segments which are explained on page 16 of this statement.

Strong performance, firm margins and consistent execution

Volume increased by 1% with North American sweetener growth and robust demand.

Adjusted operating profit of £166 million increased by 30% in constant currency. Sweeteners and Starches adjusted operating profit increased by 11% in constant currency, benefiting from strong commercial and supply chain execution, solid demand, and moderate margin gains secured in the 2017 calendar year contracting round. In the second half, increasing energy and transport costs held back profit growth. Commodities contributed profits of £32 million, an increase of £24 million.

The effect of currency translation was to decrease sales by £20 million and adjusted operating profit by £2 million.

The US corn wet milling industry remains relatively well balanced, reflecting firm overall demand with modestly declining US domestic demand for high fructose corn syrup offset by growing sweetener demand in some end-use categories, including the brewing industry, other fermentation uses and sweetener exports to Mexico.

Corn prices

For the fourth consecutive year, the US corn crop was good with strong yields resulting in high closing US inventories. Corn prices varied through the year, trading mostly in the $3.30 to $3.90 per bushel range, in advance of the 2017 crop. US corn prices moved modestly higher in the first quarter of the 2018 calendar year reflecting concerns of a smaller crop in Argentina and increased exports by the US.

North American Sweeteners

Volume increased 3%, led by stable demand in the US and growth in export volume to Mexico. Unit margins for contracts renewed for the 2017 calendar year increased, reflecting successful contracting and continued good industry supply demand balance. Unit margins further benefited from product mix management and efficiency initiatives.

The 2018 calendar year contracting round delivered unit margins broadly in line with the previous year.

North American Industrial Starches

North American Industrial Starches volume was flat compared with the prior year. Overall demand for paper remains steady with growing demand for packaging and tissue, offsetting declines in printing and writing paper. Demand for starches in construction materials also remained steady in a relatively stable US housing market.

Commodities

Commodities had a strong year delivering profits of £32 million, £24 million higher than the prior year. The stronger performance mainly reflected gains from the sourcing of corn and stronger co-products profits. Profits from corn gluten feed, a co-product used for animal nutrition, strengthened reflecting improved market conditions and better realised prices during the year. Profits from our network of corn elevators also increased.

US ethanol cash margins remained towards the low-end of the historical range with industry inventories high.

OTHER MATTERS

North American Free Trade Agreement (NAFTA)

The United States, Canada, and Mexico commenced discussions in August 2017 to modernise NAFTA. NAFTA is very important to the US food and agriculture sector, and Mexico in particular is a key export market for the corn wet milling industry, notably for high fructose corn syrup. As at the date of this statement, talks between the three parties are continuing, and we continue to monitor the situation closely.

Board Changes

Javed Ahmed retired from the Company and the Board on 1 April 2018 after over eight years as Chief Executive. Nick Hampton, previously Chief Financial Officer, succeeded Javed Ahmed as Chief Executive on 1 April 2018.

Imran Nawaz will join the Company and the Board as Chief Financial Officer, with effect from 1 August 2018. He joins Tate & Lyle from Mondelēz International where he has been Senior Vice President Finance Europe since 2014. Prior to that, during a 16-year career at Mondelēz and Kraft Foods, he held a number of senior financial roles across Europe, the Middle East and Africa.

Liz Airey, a Non-Executive Director, retired from the Board after 10 years of service at the AGM on 27 July 2017.

Jeanne Johns, a Non-Executive Director, ceased to be a director with effect from 31 October 2017. Jeanne was appointed chief executive officer of a company listed on the Australian Securities Exchange and, as a result, could no longer commit the required time to travel to the UK on a regular basis to attend Tate & Lyle Board meetings.

Executive Team Appointments

During the year, the Group Executive Committee was further strengthened with the following appointments:

i) Andrew Taylor was appointed President, Innovation and Commercial Development from 5 September 2017. Andrew previously worked at The Boston Consulting Group, where he was a Senior Partner and Managing Director, leading the global Innovation Practice.

ii) Melissa Law was appointed President, Global Operations from 18 September 2017. Melissa previously worked at Baker Hughes, where she led the Global Specialties Chemicals Division, a major part of its Oilfield Service portfolio.

Summary of financial results for the year ended 31 March 2018 (audited)

Year ended 31 March [1] **Continuing operations unless stated otherwise**	**2018** **£m**	2017 £m	Change %	Constant currency change %
Sales	**2 710**	2 753	(2%)	(1%)
Adjusted operating profit				
- Food & Beverage Solutions	**137**	129	5%	8%
- Sucralose	**55**	52	6%	5%
- Primary Products	**166**	129	28%	30%
- Central	**(58)**	(46)		
Adjusted operating profit	**300**	264	14%	15%
Adjusted net finance expense	**(27)**	(25)		
Share of profit after tax of joint ventures and associates	**28**	32	(14%)	(14%)
Adjusted profit before tax	**301**	271	11%	13%
Exceptional gain/(loss)	**2**	(19)		
Amortisation of acquired intangible assets	**(12)**	(12)		
Net retirement benefit interest	**(5)**	(7)		
Profit before tax	**286**	233		
Income tax (expense)/credit	**(23)**	22		
Profit for the year – continuing operations	**263**	255		
Profit for the year – discontinued operations	**2**	1		
Profit for the year – total operations	**265**	256		
Earnings per share – continuing operations (pence)				
Basic	**57.0p**	55.0p	4%	
Diluted	**56.1p**	54.2p	4%	
Adjusted earnings per share – continuing operations (pence)				
Basic	**50.9p**	47.8p	6%	8%
Diluted	**50.1p**	47.1p	6%	7%
Cash flow and net debt				
Adjusted free cash flow	**196**	174		
Net debt – At 31 March	**392**	452		

Sales from continuing operations of £2,710 million were 2% lower (1% lower at constant currency) reflecting the impact of lower corn costs.

On a statutory basis, profit before tax from continuing operations increased by £53 million to £286 million. Statutory diluted earnings per share from continuing operations increased by 1.9p to 56.1p as improved operating performance was largely offset by the effect of an increased statutory effective tax rate of 8.1% (2017 – 9.6% credit reflecting the recognition of exceptional deferred tax credits). As a result of the increased current year tax charge, profit for the year from total operations increased only modestly to £265 million (2017 – £256 million).

Adjusted profit before tax from continuing operations was 11% higher than last year (13% in constant currency), at £301 million. Adjusted diluted earnings per share from continuing operations increased by 3.0p to 50.1p as increased profits were partially offset by a higher adjusted effective tax rate of 21.9% (2017 – 18.2%).

Central costs

Central costs, which include head office costs, treasury and reinsurance activities, were £12 million higher at £58 million reflecting higher captive insurance costs, following an increase in self-insured claims from the Group's operations.

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation where relevant of any ratios, in Note 3

Net finance expense

Adjusted net finance expense from continuing operations, which excludes net retirement benefit interest, was £2 million higher at £27 million, mainly driven by lower capitalised interest (principally related to the construction of the Loudon co-generation facility, commissioned in the second half of the 2017 financial year) and the impact of increased US interest rates on floating rate debt.

Share of profit after tax of joint ventures and associates

The Group's share of profit after tax of joint ventures and associates of £28 million was £4 million lower than the prior year reflecting lower profits in the Group's Almex joint venture in Mexico due to the lapping of prior year non-trading gains, principally transactional currency gains.

Exceptional items from continuing operations

Operating exceptional credits from continuing operations of £2 million were recognised in respect of the disposal of an investment held as part of the Group's venture fund portfolio (2017 – total net operating exceptional costs of £19 million).

In the year ended 31 March 2018, the Group recognised exceptional tax gains totalling £38 million, comprising two items: firstly, a credit of £36 million, reflecting mainly the revaluation downwards of net US deferred tax liabilities following the reduction in the US federal tax rate; and secondly, a net credit of £2 million following an increase in UK deferred tax assets resulting from changes in both UK and US tax legislation and anticipated changes to the Group's internal financing arrangements. In the comparative year, the Group recognised exceptional deferred tax credits totalling £65 million.

More details on the tax exceptional items can be found in Notes 5 and 7 to the attached financial information.

Taxation

The adjusted effective tax rate on earnings for continuing operations for the year ended 31 March 2018 increased to 21.9% (2017 – 18.2%).

Two factors drove the increase in the adjusted effective tax rate in the year: firstly, changes to UK legislation arising from the OECD's Base Erosion and Profit Shifting (BEPS) project and consequent changes to the internal financing arrangements we use to fund our international businesses; and secondly, an increase in profits generated in the US, a jurisdiction with a higher rate of corporation tax during the year to 31 March 2018. The Group adjusted effective tax rate was at the lower end of the 21% to 24% range anticipated coming into the year.

On 22 December 2017, the United States enacted the Tax Cuts and Jobs Act ('US Tax Reforms'). This legislation reduced the headline rate of federal income tax in the United States to 21% (from 35%) from 1 January 2018, as well as introducing a number of incentives for companies to invest in the US and other changes to broaden the tax base in the US. Due to the efficiency of its internal financing arrangements the Group will generate modest benefit from the US Tax Reforms, with future upward pressure on the adjusted effective tax rate also removed.

The reported effective tax rate on statutory earnings for the year was a charge of 8.1% (2017 – credit of 9.6%). The statutory tax charge was impacted by exceptional tax charges and credits in the year including the write down of deferred tax assets and liabilities related to legislation changes in the UK and US and anticipated changes to the Group's internal financing arrangements. Legislation limiting the utilisation of carry forward losses in the UK was enacted in the year, resulting in a write off of part of a deferred tax asset created in the prior year, with a consequent charge to the statutory tax rate. Overall, exceptional tax gains in the 2018 financial year were £38 million compared to £65 million in the comparative year.

The recognition and measurement of deferred tax assets and liabilities is dependent on a number of key judgements, estimates and assumptions. Judgements relate principally to: the size and duration of future internal financing arrangements; the interest coupon payable on these arrangements; the future level of deductible expenses incurred in the UK; and foreign currency exchange rates. Changes in assumptions, along with future changes in legislation, could have a material impact on the amount of tax recognised in future accounting periods.

We estimate that the adjusted effective tax rate for the 2019 financial year will be in the range of 20% to 22%.

A list of key uncertainties affecting the Group's adjusted and reported effective tax rates, as well as the factors that are expected to influence the sustainability of the Group's effective tax rates in the future, were set out on pages 137 and 138 of the Group's 2017 Annual Report.

Discontinued operations

The Group recognised a gain of £2 million from discontinued operations in respect of its former Moroccan operation (2017 – profit of £1 million).

Earnings per share

Adjusted basic earnings per share from continuing operations increased by 6% (8% in constant currency) to 50.9p and adjusted diluted earnings per share from continuing operations at 50.1p were 6% higher (7% in constant currency).

Dividend

The Board is recommending a 0.5p or 2.5% increase in the final dividend to 20.3p (2017 – 19.8p) per share. This increased final dividend makes a full year dividend of 28.7p (2017 – 28.0p) per share, up 2.5% on the prior year. Subject to shareholder approval, the proposed final dividend will be due and payable on 1 August 2018 to all shareholders on the Register of Members on 22 June 2018. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan (DRIP) alternative.

Assets

Gross assets of £2,571 million at 31 March 2018 were £200 million lower than at 31 March 2017, mainly reflecting the adverse impact of the weakening US dollar.

Net assets increased by £35 million to £1,367 million as the profit for the year was partially offset by net exchange losses of £83 million and the dividend payment of £131 million.

Retirement benefits

The Group maintains pension plans for its employees in a number of countries. Some of these arrangements are defined benefit pension schemes and, although we have closed the main UK scheme and the US salaried and hourly paid schemes to future accrual, certain obligations remain. In the US, we also provide medical benefits as part of retirement packages.

The net surplus on the Group's retirement benefits plans was £18 million, an improvement of £157 million from a net deficit at 31 March 2017 of £139 million. The improvement was led by a reduction in the deficit of the US schemes largely as a result of foreign exchange movements from the weakening of the US dollar and by cash contributions. In addition to total regular cash contributions of £44 million in the year, the Group made an accelerated gross cash contribution to the US schemes of £56 million, in light of an opportunity to fund the schemes while taking advantage of a higher US tax deduction.

Under funding arrangements in connection with the 2016 triennial actuarial valuation, the Group has committed to make core funding contributions for the main UK scheme of £12 million per year and supplementary contributions of £6 million per year until 31 March 2023 into a secured funding account, payable to the Trustee on certain triggering events.

During the year ending 31 March 2019, the Group expects to contribute approximately £30 million to retirement benefit schemes, comprising £26 million to its defined benefit plans and £4 million in relation to retirement medical plans.

Cash flow and net debt

	Year ended 31 March[1] 2018 £m	2017 £m
Adjusted operating profit from continuing operations	**300**	264
Adjusted for:		
Non-cash items in adjusted operating profit and working capital	**121**	162
Net retirement benefit obligations	**(94)**	(36)
Less: accelerated US defined benefit schemes contribution (exceptional cash flows)	**56**	–
Net retirement benefit obligations: underlying funding	**(38)**	(36)
Net interest and tax paid	**(36)**	(63)
Less: cash tax benefit on accelerated contribution (exceptional cash flows)	**(20)**	–
Net interest and tax paid: underlying	**(56)**	(63)
Capital expenditure	**(131)**	(153)
Adjusted free cash flow	**196**	174

	At 31 March 2018 £m	2017 £m
Net debt	**392**	452

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation where relevant of any ratios, in Note 3

Adjusted free cash flow (representing cash generated from continuing operations after net interest paid, income tax paid, and capital expenditure, and excluding the impact of exceptional items) was £196 million, £22 million higher than the prior year principally reflecting higher earnings and lower capital expenditure.

Capital expenditure of £131 million, which included a £20 million investment in intangible assets, was 0.9 times the depreciation and adjusted amortisation charge of £142 million and reflects continued investment in capacity as well as efficiency and sustaining investments. We expect capital expenditure for the 2019 financial year to be between £130 million and £150 million.

Other significant cash flows in arriving at net debt included: £26 million of dividends received from joint ventures; external dividend payments of £131 million; £27 million payments for the purchase of shares to satisfy share option commitments and a net £36 million accelerated funding payment to the US pension schemes (a gross payment of £56 million, less £20 million tax deduction).

Overall net debt at 31 March 2018 of £392 million was £60 million lower than at 31 March 2017. Net debt decreased by £25 million in the year (2017 – decrease of £39 million) before the favourable impact of exchange rates. Foreign currency translation, mainly from the impact of the weakening US dollar, reduced net debt by £35 million.

Basis of preparation

The Group's principal accounting policies are unchanged from the year ended 31 March 2017. A number of minor changes to accounting policies have been adopted during the year, although they have had no material effect on the Group's financial statements.

Details of the basis of preparation, including information in respect of the methodology used to calculate the Group's alternative performance measures, can be found in Note 2 to the attached financial information.

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the year ended 31 March 2018 was adversely impacted by currency translation compared to the prior year. The average and closing US dollar and euro exchange rates used to translate reported results were as follows:

	Average rates		Closing rates	
Year ended 31 March	**2018**	2017	**2018**	2017
US dollar : sterling	**1.33**	1.30	**1.40**	1.25
Euro : sterling	**1.13**	1.19	**1.14**	1.17

For the year ended 31 March 2018, foreign exchange translation decreased Group adjusted profit before tax by £4 million (Food & Beverage Solutions by £2 million, Primary Products by £2 million with no change in Sucralose).

Changes to reporting segments

The Group will continue to operate in two divisions, Food & Beverage Solutions (which includes Sucralose, and was previously named Speciality Food Ingredients) and Primary Products (previously named Bulk Ingredients). The Food & Beverage Solutions division will be reported across two reportable segments (Food & Beverage Solutions and Sucralose) reflecting their different economic characteristics and how we manage them. The segmental disclosure prepared in this statement of Full Year Results reflects this change from two reportable segments to three, and has been further amended to report Food Systems operations (the Group's stabiliser solutions business) within the regional results of Food & Beverage Solutions, mirroring a change to the management of that business.

Disclosure of the performance of the divisions is provided below in the form previously used at the 2017 financial year end for comparability purposes, together with restated comparatives for the six month period to 30 September 2017, which will serve as comparatives for the Group's forthcoming half year results.

Food & Beverage Solutions and Sucralose results for the year ended 31 March 2018 in previous disclosure format

Year ended 31 March Continuing operations	**Volume Change**	**Sales** 2018 £m	Sales 2017 £m	**Change %**	**Constant currency change %**	**Adjusted operating profit** 2018 £m	2017 £m	**Change %**	**Constant currency change %**
North America	**1%**	**355**	357	(1%)	1%				
Asia Pacific and Latin America	**8%**	**147**	148	0%	1%				
Europe, Middle East and Africa	**8%**	**163**	145	13%	9%				
Total: excluding SPLENDA® Sucralose and Food Systems	**4%**	**665**	650	2%	2%	**118**	125	(6%)	(4%)
Food Systems	**(5%)**	**185**	184	0%	(1%)	**19**	4	353%	357%
SPLENDA® Sucralose	**(12%)**	**146**	162	(10%)	(9%)	**55**	52	6%	5%
	3%	**996**	996	0%	0%	**192**	181	6%	7%

Food & Beverage Solutions results for the six months to 30 September 2017 on the revised disclosure format

Six months to 30 September 2017 Continuing operations	**2017 Volume Change**
Volume	
North America	**0%**
Asia Pacific and Latin America	**6%**
Europe, Middle East and Africa	**6%**
Total	**3%**

	2017 £m
Sales	
North America	**211**
Asia Pacific and Latin America	**98**
Europe, Middle East and Africa	**124**
Total	**433**
Adjusted operating profit	**75**

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March **2018** **£m**	 2017 £m
Continuing operations			
Sales	4	**2 710**	2 753
Operating profit	4	**290**	233
Finance income	6	**2**	2
Finance expense	6	**(34)**	(34)
Share of profit after tax of joint ventures and associates		**28**	32
Profit before tax		**286**	233
Income tax (expense)/credit	7	**(23)**	22
Profit for the year - continuing operations		**263**	255
Profit for the year - discontinued operations	8	**2**	1
Profit for the year - total operations		**265**	256

Profit for the years presented from total operations is entirely attributable to owners of the Company.

Earnings per share		**Pence**	Pence
Continuing operations:			
– basic	9	**57.0p**	55.0p
– diluted	9	**56.1p**	54.2p
Total operations:			
– basic	9	**57.4p**	55.2p
– diluted	9	**56.5p**	54.4p

Analysis of adjusted profit for the year - continuing operations		**£m**	£m
Profit before tax - continuing operations		**286**	233
Adjusted for:			
Net (gain)/loss for exceptional items	5	**(2)**	19
Amortisation of acquired intangible assets		**12**	12
Net retirement benefit interest	6,12	**5**	7
Adjusted profit before tax - continuing operations	3	**301**	271
Adjusted income tax expense - continuing operations	3,7	**(66)**	(49)
Adjusted profit for the year - continuing operations	3	**235**	222

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March **2018** **£m**	 2017 £m
Profit for the year		**265**	256
Other comprehensive income/(expense)			
Items that have been/may be reclassified to profit or loss:			
Fair value gain on cash flow hedges		**–**	1
Fair value (gain)/loss on cash flow hedges transferred to the income statement		**(4)**	4
Reclassified and reported in the income statement in respect of available-for-sale financial assets		**–**	(1)
Fair value gain on available-for-sale financial assets		**3**	–
(Loss)/gain on currency translation of foreign operations		**(122)**	185
Fair value gain/(loss) on net investment hedges		**39**	(69)
Share of other comprehensive (expense)/ income of joint ventures and associates		**(9)**	7
Amounts transferred to the income statement upon disposal of subsidiary	15	**–**	(1)
Amounts transferred to the income statement upon disposal of associate	15	**(1)**	–
Tax effect of the above items		**–**	–
		(94)	126
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit plans			
– actual return higher than interest on plan assets	12	**2**	179
– net actuarial gain/(loss) on retirement benefit obligations	12	**41**	(106)
Tax effect of the above items		**(33)**	(30)
		10	43
Total other comprehensive (expense)/income		**(84)**	169
Total comprehensive income		**181**	425
Analysed by:			
– continuing operations		**179**	425
– discontinued operations		**2**	–
Total comprehensive income		**181**	425

Total comprehensive income is entirely attributable to owners of the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March **2018** **£m**	2017 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**360**	401
Property, plant and equipment		**965**	1 061
Investments in joint ventures		**85**	92
Investments in associates		–	4
Available-for-sale financial assets		**37**	30
Derivative financial instruments		**8**	15
Deferred tax assets		**7**	22
Trade and other receivables		**3**	1
Retirement benefit surplus	12	**178**	120
		1 643	1 746
Current assets			
Inventories		**419**	441
Trade and other receivables		**294**	291
Current tax assets		**1**	1
Derivative financial instruments		**24**	31
Cash and cash equivalents	11	**190**	261
		928	1 025
TOTAL ASSETS		**2 571**	2 771
EQUITY			
Capital and reserves			
Share capital		**117**	117
Share premium		**406**	406
Capital redemption reserve		**8**	8
Other reserves		**159**	253
Retained earnings		**677**	548
Equity attributable to owners of the Company		**1 367**	1 332
TOTAL EQUITY		**1 367**	1 332
LIABILITIES			
Non-current liabilities			
Trade and other payables		**10**	10
Borrowings	11	**554**	604
Derivative financial instruments		**21**	37
Deferred tax liabilities		**42**	25
Retirement benefit deficit	12	**160**	259
Provisions for other liabilities and charges		**15**	17
		802	952
Current liabilities			
Trade and other payables		**312**	315
Current tax liabilities		**57**	57
Borrowings and bank overdrafts	11	**16**	88
Derivative financial instruments		**12**	17
Provisions for other liabilities and charges		**5**	10
		402	487
TOTAL LIABILITIES		**1 204**	1 439
TOTAL EQUITY AND LIABILITIES		**2 571**	2 771

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March 2018 £m	2017 £m
Cash flows from operating activities			
Profit before tax from continuing operations		**286**	233
Adjustments for:			
Depreciation of property, plant and equipment		**114**	109
Amortisation of intangible assets		**40**	40
Share-based payments		**15**	21
Exceptional income statement items	5	**(4)**	(5)
Net finance expense	6	**32**	32
Share of profit after tax of joint ventures and associates		**(28)**	(32)
Net retirement benefit obligations, comprising:		**(94)**	(36)
Accelerated US defined benefit schemes contribution (exceptional cash flows)	7	**(56)**	–
Underlying funding		**(38)**	(36)
Changes in working capital and other non-cash movements		**(36)**	4
Cash generated from continuing operations		**325**	366
Net income tax paid, comprising:		**(11)**	(35)
Cash tax benefit on accelerated contribution (exceptional cash flows)	7	**20**	–
Net underlying income tax paid		**(31)**	(35)
Interest paid		**(27)**	(30)
Cash used in discontinued operations	8	**(1)**	(3)
Net cash generated from operating activities		**286**	298
Cash flows from investing activities			
Purchase of property, plant and equipment		**(111)**	(127)
Purchase of intangible assets		**(20)**	(26)
Disposal of property, plant and equipment		**–**	2
Cash adjustment in respect of previous acquisitions		**–**	3
Disposal of businesses, net of cash disposed		**–**	3
Disposal of associates	15	**5**	–
Purchase of available-for-sale financial assets		**(8)**	(4)
Disposal of available-for-sale financial assets		**4**	4
Interest received		**2**	2
Dividends received from joint ventures and associates		**26**	29
Net cash used in investing activities		**(102)**	(114)
Cash flows from financing activities			
Purchase of own shares to trust or treasury		**(27)**	(18)
Cash inflow from additional borrowings		**4**	66
Cash outflow from repayment of borrowings		**(77)**	(189)
Repayment of capital element of finance leases		**(1)**	(1)
Dividends paid to the owners of the Company	10	**(131)**	(130)
Net cash used in financing activities		**(232)**	(272)
Net decrease in cash and cash equivalents	11	**(48)**	(88)
Cash and cash equivalents:			
Balance at beginning of year		**261**	317
Net decrease in cash and cash equivalents		**(48)**	(88)
Currency translation differences		**(23)**	32
Balance at end of year	11	**190**	261

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 11.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Attributable to the owners of the Company £m	Non-controlling interests (NCI) £m	Total equity £m
At 1 April 2016	523	8	127	370	1 028	1	1 029
Year ended 31 March 2017:							
Profit for the year - total operations	–	–	–	256	256	–	256
Other comprehensive income	–	–	126	43	169	–	169
Total comprehensive income	–	–	126	299	425	–	425
Share-based payments, net of tax	–	–	–	24	24	–	24
Purchase of own shares to trust or treasury	–	–	–	(18)	(18)	–	(18)
Derecognition of put option on NCI	–	–	–	3	3	–	3
Movement on NCI	–	–	–	–	–	(1)	(1)
Dividends paid (Note 10)	–	–	–	(130)	(130)	–	(130)
At 31 March 2017	523	8	253	548	1 332	–	1 332
Year ended 31 March 2018:							
Profit for the year - total operations	–	–	–	**265**	**265**	–	**265**
Other comprehensive (expense)/income	–	–	**(94)**	**10**	**(84)**	–	**(84)**
Total comprehensive (expense)/income	–	–	**(94)**	**275**	**181**	–	**181**
Share-based payments, net of tax	–	–	–	**12**	**12**	–	**12**
Purchase of own shares to trust or treasury	–	–	–	**(27)**	**(27)**	–	**(27)**
Dividends paid (Note 10)	–	–	–	**(131)**	**(131)**	–	**(131)**
At 31 March 2018	**523**	**8**	**159**	**677**	**1 367**	–	**1 367**

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2018

1. Background

The financial information on pages 17 to 41 is extracted from the Group's consolidated financial statements for the year ended 31 March 2018, which were approved by the Board of Directors on 23 May 2018.

The financial information does not constitute statutory accounts within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union.

The Company's auditors, PricewaterhouseCoopers LLP, have given an unqualified report on the consolidated financial statements for the year ended 31 March 2018. The auditors' report did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's shareholders on 26 July 2018 at the Company's Annual General Meeting.

2. Basis of preparation

Basis of accounting

The Group's consolidated financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

The Directors are satisfied that the Group has adequate resources to continue to operate for a period of not less than 12 months from the date of approval of the financial statements and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting.

The Group's principal accounting policies have been consistently applied throughout the year and will be set out in Notes 2 and 3 of the Group's 2018 Annual Report.

Changes in accounting policy and disclosures

In the current year, the Group has adopted, with effect from 1 April 2017, new or revised accounting standards as set out below:

- IAS 7 Disclosure Initiative
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014-16 cycle

The adoption of these amendments has had no material effect on the Group's financial statements.

The following new standards have been issued and are relevant to the Group, but were not effective for the financial year beginning 1 April 2017, and have not been adopted early:

IFRS 15 – Revenue from Contracts with Customers (effective for the year ending 31 March 2019)
The Group has undertaken a review of its commercial arrangements across all significant revenue streams and geographies including assessing the timing of revenue recognition as well as focusing on the accounting for principal and agency relationships, consignment stocks and discounts provided. As a result of the review, the Group has concluded that the adoption of IFRS 15 is not expected to have a material impact on reported revenue or revenue growth rates.

IFRS 9 – Financial Instruments (effective for the year ending 31 March 2019)
The Group has reviewed the key areas of IFRS 9 and its activities in these areas to ensure full compliance upon adoption. The Group has concluded that the adoption of IFRS 9 will not have a material impact on its consolidated results or financial position.

The review focused on all three aspects of IFRS 9:

a) Classification and measurement.
The Group expects to continue measuring at fair value all financial assets currently held at fair value. The Group intends to apply the option to present fair value changes in Other Comprehensive Income (OCI) for those equity shares currently held as available-for-sale (AFS) and which are intended to be held for the foreseeable future. All other assets held as AFS are expected to be measured at fair value through profit or loss. Any amounts held in OCI related to those other assets will be reclassified to retained earnings, the quantum of which is expected to be immaterial. Trade receivables and other receivables are held to collect the principal amount in line with the contractual arrangements. As such, the Group has concluded that they meet the criteria for amortised cost measurement under IFRS 9. This is consistent with the current basis of accounting.

2. Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

b) Impairment
The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The loss allowance to be recognised is not expected to be material.

c) Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 is not expected to have a significant impact on the Group's financial statements.

IFRS 16 – Leases (effective for the year ending 31 March 2020)
The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model, requiring the recognition of substantially all current operating lease commitments on the statement of financial position.

The Group is in the process of performing an impact assessment by assessing all existing leases against the guidance contained in IFRS 16. Material judgements and estimates are required in identifying and accounting for leases and determining the discount rate, as well as choosing the transition methodology. The Group is continuing to assess the impact of these judgements and estimates, and based on current information, expects a material increase in both property, plant and equipment and associated lease obligations. A quantification of the impact upon adoption will be included in the 31 March 2019 financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (effective for the year ending 31 March 2020, subject to EU endorsement)
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The financial impact of this, together with any other implications of this interpretation, will be assessed during the 2019 financial year.

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

Changes in constant currency

Where changes in constant currency are presented in this statement, they are calculated by retranslating current year results at prior year exchange rates. Reconciliations of the movement in constant currency have been included in the additional information within this document.

Use of alternative performance measures

The Group also presents alternative performance measures, including adjusted operating profit, adjusted profit before tax, adjusted earnings per share, adjusted operating cash flow and adjusted free cash flow, which are used for internal performance analysis and incentive compensation arrangements for employees. These measures are presented because they provide investors with additional information about the performance of the business which the Directors consider to be valuable. For the years presented, alternative performance measures exclude, where relevant:

- **Exceptional items** (excluded as they relate to events which are unlikely to recur, are outside the normal course of business and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance)
- **Amortisation of acquired intangible assets** (costs associated with amounts recognised through acquisition accounting that impact earnings compared to organic investments)
- **Net retirement benefit interest** (accounting charges or credits which are not linked to the underlying performance of the business. The amounts excluded reflect the net interest cost of post-retirement benefit plans substantially closed to future accrual)
- **Tax on the above items and tax items that themselves meet these definitions.** For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

Alternative performance measures reported by the Group are not defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies. Reconciliations of the alternative performance measures to the most directly comparable IFRS measures are presented in Note 3.

2. Basis of preparation (continued)

Use of alternative performance measures (continued)

Following the improved funding status of the Group's pension schemes, the Group no longer intends to exclude net retirement benefit interest from its alternative performance measures from the beginning of the 2019 financial year as the size of this adjustment is no longer expected to be material.

Exceptional items

Exceptional items comprise items of income, expense and cash flow, including tax items, that are material in amount, relate to events which are unlikely to recur, are outside the normal course of business and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance. Examples of events that give rise to the disclosure of material items of income, expense and cash flow as exceptional items include, but are not limited to: impairment events; significant business transformation activities; disposals of operations or significant individual assets; litigation claims by or against the Group; and restructuring of components of the Group's operations. For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

All material amounts relating to exceptional items in the Group's financial statements are classified on a consistent basis across accounting periods.

Discontinued operations

An operation is classified as discontinued if it is a component of the Group that: (i) has been disposed of, or meets the criteria to be classified as held for sale; and (ii) represents a separate major line of business or geographic area of operations or will be disposed of as part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations. The results, assets and liabilities and cash flows of discontinued operations are presented separately from those of continuing operations.

During the year ended 31 March 2018, the Group reached a settlement with the Moroccan tax authorities over historical tax matters relating to the Group's former corn wet mill in Casablanca, Morocco, This resulted in a net credit of £2 million.

Discontinued operations in the comparative year also related to the Group's Moroccan subsidiary.

3. Reconciliation of alternative performance measures

Income statement measures

For the reasons set out in Note 2, the Group presents alternative performance measures including adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

For the years presented, these alternative performance measures exclude, where relevant:
– exceptional items;
– the amortisation of acquired intangible assets;
– net retirement benefit interest; and
– tax on the above items and tax items that themselves meet these definitions.

Following the improved funding status of the Group's pension schemes, the Group no longer intends to exclude net retirement benefit interest from its alternative performance measures from the beginning of the 2019 financial year as the size of this adjustment is no longer expected to be material.

The following table shows the reconciliation of the key income statement alternative performance measures to the most directly comparable measures reported in accordance with IFRS:

£m unless otherwise stated	**Year ended 31 March 2018**			Year ended 31 March 2017		
Continuing operations	**IFRS reported**	**Adjusting items**	**Adjusted reported**	IFRS reported	Adjusting items	Adjusted reported
Sales	**2 710**	**–**	**2 710**	2 753	–	2 753
Operating profit	**290**	**10**	**300**	233	31	264
Net finance expense	**(32)**	**5**	**(27)**	(32)	7	(25)
Share of profit after tax of joint ventures and associates	**28**	**–**	**28**	32	–	32
Profit before tax	**286**	**15**	**301**	233	38	271
Income tax (expense)/credit	**(23)**	**(43)**	**(66)**	22	(71)	(49)
Profit for the year	**263**	**(28)**	**235**	255	(33)	222
Basic earnings per share (pence)	**57.0p**	**(6.1p)**	**50.9p**	55.0p	(7.2p)	47.8p
Diluted earnings per share (pence)	**56.1p**	**(6.0p)**	**50.1p**	54.2p	(7.1p)	47.1p
Effective tax rate expense/(credit) %	**8.1%**		**21.9%**	(9.6%)		18.2%

The following table shows the reconciliation of the adjusting items impacting adjusted profit for the year in the current and comparative year:

		Year ended 31 March	
Continuing operations	Notes	**2018 £m**	2017 £m
Exceptional (gain)/loss in operating profit	5	**(2)**	19
Amortisation of acquired intangible assets		**12**	12
Total excluded from adjusted operating profit		**10**	31
Net retirement benefit interest	6	**5**	7
Total excluded from adjusted profit before tax		**15**	38
Tax credit on adjusting items	7	**(5)**	(6)
Exceptional tax credits	5, 7	**(38)**	(65)
Total excluded from adjusted profit for the year		**(28)**	(33)

3. Reconciliation of alternative performance measures (continued)

Cash flow measures

The Group also presents two alternative cash flow measures which are defined as follows:

(a) Adjusted free cash flow represents cash generated from continuing operations after net interest and tax paid, and capital expenditure, and excluding the impact of exceptional items.

(b) Adjusted operating cash flow is defined as adjusted free cash flow from continuing operations, adding back net interest and tax paid, retirement cash contributions, and excluding derivative and margin call movements within working capital.

The following table shows the reconciliation of these alternative cash flow performance measures:

	Year ended 31 March	
	2018	2017
	£m	£m
Adjusted operating profit from continuing operations	**300**	264
Adjusted for:		
Depreciation and adjusted amortisation	**142**	137
Share-based payments charge	**15**	21
Changes in working capital and other non-cash movements	**(36)**	4
Net retirement benefit obligations	**(94)**	(36)
Less: accelerated US defined benefit schemes contribution (exceptional cash flows)	**56**	–
Net retirement benefit obligations: underlying funding	**(38)**	(36)
Capital expenditure	**(131)**	(153)
Net interest and tax paid	**(36)**	(63)
Less: cash tax benefit on accelerated contribution (exceptional cash flows)	**(20)**	–
Net interest and tax paid: underlying	**(56)**	(63)
Adjusted free cash flow	**196**	174
Add back: net interest and tax paid (excluding exceptional cash flows)	**56**	63
Add back: net retirement underlying cash contributions	**44**	42
Less: derivatives and margin call movements within changes in working capital	**3**	(6)
Adjusted operating cash flow	**299**	273

Other performance measures

The Group presents certain financial measures as defined in its external financial covenants as well as return on capital employed (ROCE) as Key Performance Indicators. Net debt to EBITDA and interest cover are defined under the Group's financial covenants and are required to be reported on a proportionate consolidation basis. For financial covenant purposes these ratios are calculated based on the accounting standards that applied for the 2014 financial year, with new accounting standards adopted by the Group subsequent to 1 April 2014 disregarded. Net debt is calculated using average currency exchange rates. Average invested operating capital represents the average at the beginning and end of the year of goodwill and other intangible assets, property, plant and equipment, working capital, provisions, non-debt derivatives and other assets. All ratios are calculated based on unrounded figures in £ million. The following tables present the calculation of these alternative measures:

	31 March	
	2018	2017
	£m	£m
Calculation of Net debt to EBITDA ratio – on a financial covenant basis		
Net debt (see Note 11)	**392**	452
Further adjustments set out in financial covenants:		
to reflect use of average exchange rates in translating net debt and proportionate consolidation	**25**	(13)
Net debt – on a financial covenant basis	**417**	439
Adjusted operating profit	**300**	264
Further adjustments set out in financial covenants:		
to reflect proportionate consolidation	**44**	48
to exclude charges for share-based payments	**15**	21
to add back depreciation and adjusted amortisation	**142**	137
deduction for other finance costs	**(2)**	–
Pre-exceptional EBITDA – on a financial covenant basis	**499**	470
Net debt to EBITDA ratio (times)	**0.8**	0.9

3. Reconciliation of alternative performance measures (continued)

	31 March 2018 £m	2017 £m
Calculation of interest cover ratio – on a financial covenant basis		
Adjusted operating profit	**300**	264
Further adjustments set out in financial covenants:		
to reflect proportionate consolidation	**39**	43
to exclude charges for share-based payments	**15**	21
deduction for other finance costs	**(2)**	–
Operating profit before exceptional items and amortisation of intangible assets – on a financial covenant basis	**352**	328
Adjusted net finance expense	**27**	25
Less: other finance costs	**(2)**	–
Further adjustments set out in financial covenants to reflect proportionate consolidation and other adjustments	**(1)**	(1)
Net finance expense – on a financial covenant basis	**24**	24
Interest cover ratio (times)	**14.6**	13.9

	31 March 2018 £m	2017 £m	2016 £m
Calculation of return on capital employed			
Adjusted operating profit	**300**	264	
Add back: amortisation of acquired intangible assets	**(12)**	(12)	
Profit before interest, tax and exceptional items from continuing operations for ROCE	**288**	252	
Goodwill and other intangible assets	**360**	401	390
Property, plant and equipment	**965**	1 061	926
Working capital, provisions and non-debt derivatives	**385**	394	323
Other	–	–	29
Invested operating capital of continuing operations	**1 710**	1 856	1 668
Average invested operating capital	**1 783**	1 762	
Return on capital employed (ROCE) %	**16.2**	14.3	

4. Segment information

Segment information is presented on a basis consistent with the information presented to the Board (the designated Chief Operating Decision Maker) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. As described on page 16, continuing operations now comprise three reportable segments: Food & Beverage Solutions, Sucralose (which together made up the Speciality Food Ingredients segment in the prior year) and Primary Products (Bulk Ingredients segment in the prior year). This change was made to reflect the different economic characteristics of these products, and reflects the way in which information on the Group's performance is presented to the Board. Central, which comprises central costs including head office, treasury and re-insurance activities, does not meet the definition of an operating segment under IFRS 8 'Operating Segments' but is included in order to be consistent with the presentation of segment information presented to the Board. The segments are served by a single manufacturing network, and receive services from a number of global support functions. The segmental allocation of costs is performed using standard product costs to allocate all direct costs (including manufacturing facility-based depreciation) and allocation keys for all indirect costs (including share-based payments and amortisation), consistently applied over time.

The Board uses adjusted operating profit as the measure of the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses year on year. During the years presented, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of acquired intangible assets and exceptional items. The segmental classification of exceptional items is detailed in Note 5.

An analysis of total assets and total liabilities by operating segment is not presented to the Board but it does receive segmental analysis of net working capital (inventories, trade and other receivables, less trade and other payables). Accordingly, the amounts presented for segment assets and segment liabilities in the tables below represent those assets and liabilities that comprise elements of net working capital. The segmental split of working capital allocates raw material and co-product inventories, and associated payables, based on the segmental split of primary capacity. Other payables, work in progress and finished goods inventories and receivables are allocated based on the products to which they relate. The segment results were as follows:

(a) Segment sales and results

		Year ended 31 March	
Sales	Notes	**2018** **£m**	2017* £m
Food & Beverage Solutions		**850**	834*
Sucralose		**146**	162*
Primary Products		**1 714**	1 757
Sales – continuing operations		**2 710**	2 753
Sales – discontinued operations	8	**–**	3
Sales – total operations		**2 710**	2 756
Results			
Adjusted operating profit			
Food & Beverage Solutions		**137**	129*
Sucralose		**55**	52*
Primary Products		**166**	129
Central		**(58)**	(46)
Adjusted operating profit – continuing operations		**300**	264
Adjusting items:			
– exceptional items	5	**2**	(19)
– amortisation of acquired intangible assets		**(12)**	(12)
Operating profit – continuing operations		**290**	233
Finance income	6	**2**	2
Finance expense	6	**(34)**	(34)
Share of profit after tax of joint ventures and associates		**28**	32
Profit before tax – continuing operations		**286**	233
Profit before tax – discontinued operations	8	**–**	1
Profit before tax – total operations		**286**	234

* Restated to reflect the change in reportable segments made in the 2018 financial year.

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FOR THE YEAR ENDED 31 MARCH 2018

4. Segment information (continued)

(a) Segment sales and results (continued)

If the above segmental information were presented on a basis consistent with the prior year, Food & Beverage Solutions and Sucralose would be combined as Speciality Food Ingredients to show sales for the year ended 31 March 2018 of £996 million (2017 – £996 million) and adjusted operating profit of £192 million (2017 – £181 million). Primary Products was renamed from Bulk Ingredients in the year.

	Year ended 31 March	
	2018	2017*
	%	%
Adjusted operating margin – continuing operations		
Food & Beverage Solutions	**16.1%**	15.5%*
Sucralose	**37.7%**	32.1%*
Primary Products	**9.7%**	7.3%
Central	**n/a**	n/a
Total – continuing operations	**11.1%**	9.6%

* Restated to reflect the change in reportable segments made in the 2018 financial year.

If the above segmental information were presented on a basis consistent with the prior year, Food & Beverage Solutions and Sucralose would be combined as Speciality Food Ingredients to show adjusted operating margin of 19.3% (2017 – 18.2%). Primary Products was renamed from Bulk Ingredients in the year.

(b) Segment assets/(liabilities)

	At 31 March 2018		
	Assets	**Liabilities**	**Net**
	£m	**£m**	**£m**
Net working capital			
Food & Beverage Solutions	**287**	**(133)**	**154**
Sucralose	**62**	**(9)**	**53**
Primary Products	**357**	**(145)**	**212**
Central	**10**	**(35)**	**(25)**
Group working capital – continuing and total operations	**716**	**(322)**	**394**
Other assets/(liabilities)	**1 855**	**(882)**	**973**
Group assets/(liabilities)	**2 571**	**(1 204)**	**1 367**

	At 31 March 2017*		
	Assets	Liabilities	Net
	£m	£m	£m
Net working capital			
Food & Beverage Solutions	307*	(122)*	185*
Sucralose	64*	(7)*	57*
Primary Products	349	(146)	203
Central	13	(50)	(37)
Group working capital – continuing and total operations	733	(325)	408
Other assets/(liabilities)	2 038	(1 114)	924
Group assets/(liabilities)	2 771	(1 439)	1 332

* Restated to reflect the change in reportable segments made in the 2018 financial year.

4. Segment information (continued)

(b) Segment assets/(liabilities) (continued)

If the above segmental information were presented on a basis consistent with the prior year, Food & Beverage Solutions and Sucralose would be combined as Speciality Food Ingredients to show net working capital assets of £349 million (2017 – £371 million) and net working capital liabilities of £142 million (2017 – £129 million). Primary Products was renamed from Bulk Ingredients in the year.

5. Exceptional items

Exceptional items recognised in arriving at operating profit were as follows:

		Year ended 31 March	
		2018	2017
	Footnotes	**£m**	£m
Continuing operations			
Tate & Lyle Ventures gain on disposals	(a)	**2**	3
Business re-alignment – impairment, restructuring and other net costs	(b)	–	(5)
Asset impairments and related costs	(c)	–	(26)
US retirement benefit obligation settlement gain	(d)	–	9
Exceptional items – continuing operations		**2**	(19)
Discontinued operations			
Business re-alignment – Eaststarch / Morocco disposals	(e)	–	1
Exceptional items – discontinued operations		–	1
Exceptional items – total operations		**2**	(18)

In addition, the following exceptional tax items were recognised in the current and comparative year:

		Year ended 31 March	
		2018	2017
	Footnotes	**£m**	£m
Continuing operations			
US tax adjustments	(f)	**36**	31
UK tax adjustments	(g)	**2**	34
Exceptional tax credit – continuing operations		**38**	65
Discontinued operations			
Moroccan tax matters	(h)	**2**	–
Exceptional tax credit – discontinued operations		**2**	–
Exceptional tax credit – total operations		**40**	65

Continuing operations – within operating profit

(a) In the year ended 31 March 2018, the Group recognised a £2 million cash gain, in respect of the disposal of an investment held as part of its venture fund portfolio, previously classified as an available-for-sale financial asset. This gain was classified within central costs.

In the year ended 31 March 2017, the Group recognised a £3 million cash gain, primarily in respect of deferred consideration received following disposal of part of its venture fund portfolio. This profit was classified within central costs.

5. Exceptional items (continued)

Continuing operations – within operating profit (continued)

(b) In the year ended 31 March 2018, the Group paid cash of £2 million to utilise remaining provisions in respect of the business re-alignment of Sucralose and its European operations, but recognised no charges in this respect during the year.

In the year ended 31 March 2017, the Group recognised a net £5 million charge (£6 million of cash costs offset by a £1 million non-cash credit) in respect of the business re-alignment of Sucralose and its European operations. Cash payments in respect of this re-alignment were £21 million. The net £5 million charge was recognised within the Sucralose segment.

(c) In the year ended 31 March 2017, the Group recognised a net £13 million exceptional charge in respect of its Brazilian Food Systems business, Gemacom Tech Indústria E Comércio S.A. reflecting a partial impairment of goodwill offset by lower contingent consideration now expected to fall due. The net charge was recognised within the Food & Beverage Solutions segment.

In the year ended 31 March 2017, the Group recognised a £7 million charge for the disposal of its equity interest in Jiangsu Tate & Lyle Howbetter Food Co., Ltd, its Food Systems subsidiary in China. Cash payments for costs totalled £3 million. This charge was recognised within the Food & Beverage Solutions segment.

Also recognised in the year ended 31 March 2017 was a non-cash charge of £6 million in respect of the impairment of certain redundant assets at our Decatur facility in the US. The charge was recognised within the Primary Products segment.

(d) In the year ended 31 March 2017, the Group recognised a £9 million non-cash gain in respect of the settlement of certain elements of its US retirement benefit plan obligations. The exceptional gain was recognised within the Primary Products segment (£6 million) and the Food & Beverage Solutions segment (£3 million).

There was no net tax on continuing exceptional items in either the current or comparative year. Tax credits/charges on exceptional items are only recognised to the extent that gains/losses incurred are expected to result in tax recoverable/payable in the future.

Discontinued operations – within operating profit

(e) On 1 June 2016, the Group completed the sale of its corn wet mill in Casablanca, Morocco to ADM, receiving gross cash proceeds of £4 million. In the year ended 31 March 2017, following completion of this disposal, the Group recognised a £1 million exceptional gain resulting from the recycling of cumulative foreign exchange translation gains from reserves to the income statement. This non-cash gain was recognised within the Primary Products segment.

There was no tax on discontinued exceptional items in either the current or comparative year.

Continuing operations – exceptional taxation items

(f) In the year ended 31 March 2018, the Group recognised an exceptional tax credit of £36 million, principally reflecting the revaluation downwards of net US deferred tax liabilities following the reduction in the US federal corporation tax rate from 1 January 2018. US deferred tax liabilities primarily comprise amounts arising from accelerated tax depreciation on assets.

In the year ended 31 March 2017, following the transfer at fair value of its sucralose intellectual property assets from the UK to the US, the Group recognised an exceptional deferred tax credit of £31 million, reflecting the anticipated future tax benefits.

5. Exceptional items (continued)

Continuing operations – exceptional taxation items (continued)

(g) In the year ended 31 March 2018, two significant changes drove an exceptional net credit of £2 million resulting from the increase in UK deferred tax assets:

- UK legislation to limit to 50% the utilisation of brought forward losses was enacted during the second half of the 2018 financial year, resulting in a £16 million write down of the previous deferred tax asset recognised in relation to the Group's internal financing arrangements;

- Anticipated changes to the Group's internal financing arrangements, enabled by amendments to US tax legislation, led to the recognition of an increase in the deferred tax asset of £18 million.

In the year ended 31 March 2017, following changes in UK tax legislation arising from the OECD's Base Erosion and Profit Shifting project and changes to the internal financing arrangements we use to fund our international businesses, the Group recognised an exceptional deferred tax credit of £34 million, reflecting previously unrecognised tax losses in the UK, which, based on enacted legislation at the time, were expected to be utilised against future UK taxable profits.

Discontinued operations – exceptional taxation items

(h) In the year ended 31 March 2018, the Group recognised an exceptional tax gain of £2 million following settlement with the Moroccan tax authorities of historical matters relating to the Group's former Moroccan subsidiary. The Group made a payment of £1 million in respect of this matter during the 2018 financial year. This subsidiary was sold, as part of a broader transaction, to ADM on 1 June 2016.

Exceptional cash flows

Net cash outflows on exceptional items were as follows:

		Year ended 31 March	
		2018	2017
Continuing operations:	Footnotes	**£m**	£m
Continuing operations			
Business re-alignment – impairment, restructuring and other net costs	(b)	**(2)**	(21)
Asset impairment and related costs	(c)	**–**	(3)
Net cash outflows – exceptional items		**(2)**	(24)
Income statement (gain)/loss – included in profit before tax		**(2)**	19
Adjustment for exceptional income statement items – per cash flow statement		**(4)**	(5)
Accelerated US defined benefit schemes contribution (exceptional cash flows)		**(56)**	–
Cash tax benefit on accelerated contribution (exceptional cash flows)		**20**	–
Adjustment for exceptional cash flows	(i)	**(36)**	–

(i) In the year ended 31 March 2018, the Group made an accelerated cash contribution of £56 million into the US defined benefit pension schemes against which the Group received a cash tax benefit of £20 million leading to an overall cash outflow of £36 million. This cash contribution was incremental to the on-going annual scheme payments.

In addition, in the year ended 31 March 2018, there were exceptional cash flows relating to the sale of assets from the Group's venture fund portfolio totalling £2 million (2017 – £2 million) recognised within cash from investing activities.

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FOR THE YEAR ENDED 31 MARCH 2018

6. Finance income and finance expense

Continuing operations	Note	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Net finance expense			
Interest payable on bank and other borrowings		**(27)**	(25)
Fair value hedges:			
– fair value loss on interest rate derivatives		**(6)**	(4)
– fair value adjustment of hedged borrowings		**6**	4
Finance lease interest		**(1)**	(1)
Net retirement benefit interest	12	**(5)**	(7)
Unwinding of discount on liabilities		**(1)**	(1)
Finance expense		**(34)**	(34)
Finance income		**2**	2
Net finance expense		**(32)**	(32)

Reconciliation to adjusted net finance expense	Note	**£m**	£m
Net finance expense		**(32)**	(32)
Net retirement benefit interest		**5**	7
Adjusted net finance expense – continuing operations	3	**(27)**	(25)

Finance expense is shown net of borrowing costs capitalised within property, plant and equipment of £nil (2017 – £2 million) at a capitalisation rate of 3.9% (2017 – 3.8%).

Interest payable on other borrowings includes £0.2 million (2017 – £0.2 million) of dividends in respect of the Group's 6.5% cumulative preference shares. Finance income and finance expense relate wholly to continuing operations.

7. Income tax expense

Analysis of charge for the year - continuing operations:

	Year ended 31 March	
	2018	2017
Continuing operations	**£m**	£m
Current tax:		
– United Kingdom	**(9)**	–
– Overseas	**(45)**	(23)
Adjustments in respect of previous years	–	–
	(54)	(23)
Deferred tax:		
Credit for the year	**31**	45
Adjustments in respect of previous years	–	–
Income tax (expense)/credit	**(23)**	22

Reconciliation to adjusted income tax expense	Note	**£m**	£m
Income tax (expense)/credit		**(23)**	22
Adjusted for:			
Taxation on exceptional items, amortisation of acquired intangibles and net retirement benefit interest		**(5)**	(6)
Exceptional US tax credit	5	**(36)**	(31)
Exceptional UK tax credit	5	**(2)**	(34)
Adjusted income tax expense – continuing operations	3	**(66)**	(49)

The Group recorded an income tax expense of £23 million in continuing operations for the year ended 31 March 2018 (2017 – credit of £22 million).

The Group's statutory effective tax rate on continuing operations, calculated on the basis of the reported income tax expense of £23 million as a proportion of profit before tax of £286 million was 8.1% (2017 – credit of 9.6%). In the year to 31 March 2018, the Group recognised exceptional tax gains totalling £38 million, comprising two items: firstly, a credit of £36 million predominantly reflecting the revaluation downwards of net US deferred tax liabilities following the reduction in the US federal tax rate; and secondly a net credit of £2 million following an increase in UK deferred tax assets. This resulted from changes to UK legislation limiting to 50% the utilisation of brought forward losses, resulting in a £16 million write down of the previous deferred tax asset; and anticipated changes to the Group's internal financing arrangements, enabled by amendments to US tax legislation, resulting in an increase of £18 million in the deferred tax asset. In the comparative year, the Group recognised tax credits totalling £65 million. Further details can be found in Note 5.

The Group's adjusted effective tax rate on continuing operations, calculated on the basis of the adjusted income tax expense of £66 million as a proportion of adjusted profit before tax of £301 million was 21.9% (2017 – 18.2%). The adjusted effective tax rate increased as a result of changes to the UK tax legislation and consequent changes to our internal financing arrangements and an increase in profits from the US, a jurisdiction with higher rates of corporation tax during the year.

The Group had tax losses of £556 million at 31 March 2018 (2017 – £508 million) for which no deferred tax has been recognised as there is uncertainty as to whether taxable profits against which these assets may be recovered, will be available.

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2017 and is expected to reduce from 19% to 17% with effect from 1 April 2020. The Group tax charge in future years is expected to benefit modestly from US Tax Reforms, which came into effect from 1 January 2018. Further changes in tax legislation in the jurisdictions in which the Group operates could have a material impact on the Group's tax charge and/or the amount of deferred tax recognised in future accounting periods.

8. Discontinued operations

The discontinued operations of the Group are disclosed in Note 2.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

		Year ended 31 March	
		2018	2017
Discontinued operations – Eaststarch / Morocco	Notes	**£m**	£m
Sales	4	–	3
Operating profit including exceptional items		–	1
Profit for the year – discontinued operations		**2**	1
Basic and diluted earnings per share – discontinued operations	9	**0.4p**	0.2p

During the year ended 31 March 2018, the Group recognised an exceptional tax gain of £2 million following settlement with the Moroccan tax authorities of historical matters relating to the Group's former Moroccan subsidiary. The Group made a payment of £1 million in respect of this matter during the 2018 financial year. This subsidiary was sold as part of a broader transaction to ADM on 1 June 2016.

In the year ended 31 March 2017, the Group received gross cash proceeds of £4 million in relation to this sale to ADM and recognised a £1 million exceptional gain (see Note 5).

The results of the discontinued operations which have been included in the consolidated statement of cash flows were as follows:

	Year ended 31 March	
	2018	2017
Discontinued operations– Eaststarch / Morocco	**£m**	£m
Profit before tax from discontinued operations	**–**	1
Adjustment for:		
Exceptional items and changes in working capital	**(1)**	(4)
Cash used in discontinued operations	**(1)**	(3)

9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding an average of 6 million shares (2017 – 4 million shares) held by the Company and the Employee Benefit Trust to satisfy awards made under the Group's share-based incentive plans.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming conversion of potentially dilutive ordinary shares, reflecting vesting assumptions on employee share plans, as well as the profit attributable to owners of the Company for any proceeds on such conversions. Potentially dilutive ordinary shares arise from awards made under the Group's share-based incentive plans. Potentially dilutive ordinary shares are dilutive only when the average market price of the Company's ordinary shares during the year exceeds their exercise price (options) or issue price (other awards). The greater any such excess, the greater the dilutive effect. The average market price of the Company's ordinary shares during the year was 676p (2017 – 695p). The dilutive effect of share-based incentives was 7.7 million shares (2017 – 7.1 million shares).

	Year ended 31 March 2018			Year ended 31 March 2017		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued Operations	Total
Profit attributable to owners of the Company (£ million)	**263**	**2**	**265**	255	1	256
Weighted average number of ordinary shares (million) – basic	**462.3**	**462.3**	**462.3**	464.1	464.1	464.1
Basic earnings per share	**57.0p**	**0.4p**	**57.4p**	55.0p	0.2p	55.2p
Weighted average number of ordinary shares (million) – diluted	**470.0**	**470.0**	**470.0**	471.2	471.2	471.2
Diluted earnings per share	**56.1p**	**0.4p**	**56.5p**	54.2p	0.2p	54.4p

Adjusted earnings per share

A reconciliation between profit attributable to owners of the Company from continuing operations and the equivalent adjusted metric, together with the resulting adjusted earnings per share metrics can be found below:

		Year ended 31 March	
Continuing operations	Notes	**2018 £m**	2017 £m
Profit attributable to owners of the Company		**263**	255
Adjusting items:			
– exceptional (gain)/loss	5	**(2)**	19
– amortisation of acquired intangible assets		**12**	12
– net retirement benefit interest	6,12	**5**	7
– tax effect of the above adjustments	7	**(5)**	(6)
– exceptional tax credits	5,7	**(38)**	(65)
Adjusted profit attributable to owners of the Company	3	**235**	222
Adjusted basic earnings per share (pence) – continuing operations		**50.9p**	47.8p
Adjusted diluted earnings per share (pence) – continuing operations		**50.1p**	47.1p

10. Dividends on ordinary shares

The Directors propose a final dividend for the financial year of 20.3p per ordinary share that, subject to approval by shareholders, will be paid on 1 August 2018 to shareholders who are on the Register of Members on 22 June 2018.

Based on the number of ordinary shares outstanding at 31 March 2018 and the proposed amount, the total dividend for the financial year is expected to amount to £133 million. Total dividends paid during the year were £131 million (2017 – £130 million).

Dividends on ordinary shares in respect of the financial year:

	Year ended 31 March	
	2018	2017
	Pence	Pence
In respect of the financial year:		
Interim	**8.4**	8.2
Final	**20.3**	19.8
	28.7	28.0

Paid in the financial year:		
Interim – in respect of the financial year	**8.4**	8.2
Final – in respect of the prior financial year	**19.8**	19.8
	28.2	28.0

11. Net debt

The components of the Group's net debt are as follows:

	At 31 March	
	2018	2017
	£m	£m
Non-current borrowings	**(554)**	(604)
Current borrowings and bank overdrafts	**(16)**	(88)
Debt-related derivative financial instruments	**(12)**	(21)
Cash and cash equivalents	**190**	261
Net debt	**(392)**	(452)

Debt-related derivative financial instruments represent the net fair value of currency and interest rate swaps that are used to manage the currency and interest rate profile of the Group's net debt. At 31 March 2018, the net fair value of these derivatives comprised assets of £10 million (2017 – £17 million) and liabilities of £22 million (2017 – £38 million).

Movements in the Group's net debt were as follows:

	Year ended 31 March	
	2018	2017
	£m	£m
Net debt at beginning of the year	**(452)**	(434)
Decrease in cash and cash equivalents in the year	**(48)**	(88)
Net decrease in borrowings*	**74**	124
Fair value and other movements	**(1)**	3
Currency translation differences	**35**	(57)
Decrease/(increase)in net debt in the year	**60**	(18)
Net debt at end of the year	**(392)**	(452)

* Net change in borrowings includes repayments of capital elements of finance leases of £1 million (2017 - £1 million).

12. Retirement benefit obligations

The net surplus on the Group's retirement benefits plans was £18 million at 31 March 2018, an improvement of £157 million from a net deficit at 31 March 2017 of £139 million. The improvement was driven by a reduction in the deficit of the US schemes largely as a result of foreign exchange movements from the weakening of the US dollar and by cash contributions. In addition to regular cash contributions of £44 million in the year, the Group made an accelerated gross cash contribution to the US schemes of £56 million, in light of an opportunity to fund the schemes while taking advantage of a higher US tax deduction. The movement in the net surplus is analysed as follows:

	At 31 March 2018			At 31 March 2017		
	Pensions £m	**Medical benefits £m**	**Total £m**	Pensions £m	Medical benefits £m	Total £m
Present value of the benefit obligation	**(1 549)**	**(63)**	**(1 612)**	(1 693)	(76)	(1 769)
Fair value of plan assets	**1 630**	**–**	**1 630**	1 630	–	1 630
Net surplus/(deficit)	**81**	**(63)**	**18**	(63)	(76)	(139)
Presented as:						
Deficits	**(97)**	**(63)**	**(160)**	(183)	(76)	(259)
Surpluses	**178**	**–**	**178**	120	–	120
Net surplus/(deficit)	**81**	**(63)**	**18**	(63)	(76)	(139)

Changes in the net surplus/(deficit) during the year are analysed as follows:

	Year ended 31 March 2018		
	Pensions £m	**Medical benefits £m**	**Total £m**
Net liability at 1 April 2017	**(63)**	**(76)**	**(139)**
Income statement:			
– service cost	**(3)**	**(1)**	**(4)**
– administration costs	**(2)**	**–**	**(2)**
– net interest expense	**(3)**	**(2)**	**(5)**
Other comprehensive income:			
– actual return higher than interest on plan assets	**2**	**–**	**2**
– actuarial gain	**38**	**3**	**41**
Other movements:			
– employer's contributions	**95**	**5**	**100**
– re-measurement of non-qualified deferred compensation arrangements	**(2)**	**–**	**(2)**
– currency translation differences	**19**	**8**	**27**
Net surplus/(deficit) at 31 March 2018	**81**	**(63)**	**18**

The main UK scheme triennial valuation as at 31 March 2016 was concluded during the prior year, with agreed core funding contributions maintained at £12 million per year, and the Group also committing to extend the supplementary contributions payable into the secured funding account of £6 million per year until 31 March 2023.

13. Contingent liabilities

Passaic River
The Group remains subject to a legal case arising from the notification in 2007 by the U.S. Environmental Protection Agency ('USEPA') that it, along with approximately 70+ others, is a potentially responsible party ('PRP') for a 17 mile section of the northern New Jersey Passaic River, a major 'Superfund' site. In March 2016, the USEPA issued its Record of Decision ('ROD') on the likely cost for the remediation of the lower eight-mile section of the river (the most contaminated). Whilst the Group will continue to vigorously defend itself in this matter, in light of the publication of the ROD, the Group has maintained a provision of £6 million in respect of this. The Group continues to be unable to estimate a reasonably possible range of loss in respect of the remaining nine-mile section of the river and therefore has not recognised a provision for this section.

Other claims
The Group is subject to claims and litigation generally arising in the ordinary course of its business, some of which are for substantial amounts. All such actions are strenuously defended but provision is made for liabilities that are considered likely to arise on the basis of current information and legal advice. While there is always uncertainty as to the outcome of any claim or litigation, it is not expected that the claims and litigation existing at 31 March 2018 will have a material adverse effect on the Group's financial position.

14. Capital expenditure and commitments

In the year ended 31 March 2018, there were additions to intangible assets (excluding goodwill and acquired intangibles) of £20 million (2017 – £26 million) and additions to property, plant and equipment of £113 million (2017 – £128 million).

Commitments at the balance sheet date were as follows:

	At 31 March	
	2018	2017
	£m	£m
Commitments for the purchase of property, plant and equipment	**26**	25
Total commitments	**26**	25

15. Acquisitions and disposals

Completion of Tapioca Development Corporation disposal in the 2018 financial year

On 2 November 2017, the Group completed the sale of its 33.3% share in an associated undertaking, the Tapioca Development Corporation. This sale resulted in cash proceeds of £5 million and resulted in a profit on disposal of £2 million, after recycling of cumulative foreign exchange translation gains of £1 million from reserves to the income statement upon disposal.

Completion of Moroccan disposal in the 2017 financial year

On 1 June 2016, the Group completed the sale of its corn wet mill in Casablanca, Morocco to ADM, receiving gross cash proceeds of £4 million, a net £3 million after cash disposed. In the year ended 31 March 2017, the Group recognised a £1 million exceptional gain resulting from the recycling of cumulative foreign exchange translation gains from reserves to the income statement upon disposal of the investment. Refer to Note 5 for details on the settlement reached with the Moroccan tax authorities in respect of historical tax matters relating to this entity.

Completion of Howbetter disposal in the 2017 financial year

On 23 December 2016, the Group completed the disposal of Jiangsu Tate & Lyle Howbetter Food Co., Ltd, its Food Systems subsidiary in China, recognising a £7 million operating exceptional charge in respect of impairing and deconsolidating the entity prior to disposal, and the associated costs of exiting (see Note 5).

16. Foreign exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into pounds sterling were as follows:

	Year ended 31 March	
Average foreign exchange rates	**2018 £1 =**	2017 £1 =
US dollar	**1.33**	1.30
Euro	**1.13**	1.19

	At 31 March	
Year end foreign exchange rates	**2018 £1 =**	2017 £1 =
US dollar	**1.40**	1.25
Euro	**1.14**	1.17

17. Events after the reporting period

On 23 May 2018, the Group entered into an agreement to acquire a 15% equity holding in Sweet Green Fields, one of the largest privately held, fully integrated global stevia ingredient companies. Under the terms of the agreement, the Group has an option to acquire the remaining 85% share in due course.

ADDITIONAL INFORMATION

Calculation of changes in constant currency

Where changes in constant currency are presented in this statement, they are calculated by retranslating current year results at prior year exchange rates. The following table provides a reconciliation between the 2018 performance at actual exchange rates and at constant currency exchange rates. Absolute numbers presented in the tables are rounded for presentational purposes, whereas the growth percentages are calculated on unrounded numbers.

Adjusted performance Continuing operations	**2018 £m**	FX £m	2018 at constant currency £m	Underlying growth £m	2017* £m	Change %	Change in constant currency %
Sales	**2 710**	20	2 730	(23)	2 753	(2%)	(1%)
Food & Beverage Solutions	**137**	2	139	10	129*	5%	8%
Sucralose	**55**	–	55	3	52*	6%	5%
Primary Products	**166**	2	168	39	129	28%	30%
Central	**(58)**	–	(58)	(12)	(46)	(22%)	
Adjusted operating profit	**300**	4	304	40	264	14%	15%
Adjusted net finance expense	**(27)**	–	(27)	(2)	(25)	(8%)	
Share of profit after tax of joint ventures and associates	**28**	–	28	(4)	32	(14%)	(14%)
Adjusted profit before tax	**301**	4	305	34	271	11%	13%
Adjusted income tax expense	**(66)**	(2)	(68)	(19)	(49)	(34%)	(37%)
Adjusted profit after tax	**235**	2	237	15	222	6%	7%
Adjusted diluted EPS (pence)	**50.1p**	0.4p	50.5p	3.4p	47.1p	6%	7%

* Restated to reflect the change in operating segments made in the 2018 financial year

If the above segmental information were presented on a basis consistent with the prior year, Food & Beverage Solutions and Sucralose would be combined as Speciality Food Ingredients to show adjusted operating profit for the year ended 31 March 2018 of £192 million (2017 – £181 million). Primary Products was renamed from Bulk Ingredients in the year.

ADDITIONAL INFORMATION

RATIO ANALYSIS

		31 March 2018	31 March 2017
Net debt to EBITDA – on financial covenant basis			
=	Net debt	**417**	439
	Pre-exceptional EBITDA	**499**	470
		= 0.8 times	= 0.9 times
Interest cover – on financial covenant basis			
=	Operating profit before exceptional items and amortisation of intangible assets	**352**	328
	Net finance expense	**24**	24
		= 14.6 times	= 13.9 times
Earnings dividend cover			
=	Adjusted basic earnings per share from continuing operations	**50.9**	47.8
	Dividend per share	**28.2**	28.0
		= 1.8 times	= 1.7 times
Cash dividend cover			
=	Adjusted free cash flow from continuing operations	**196**	174
	Cash dividends	**131**	130
		= 1.5 times	= 1.3 times
Return on capital employed			
=	Profit before interest, tax and exceptional items from continuing operations	**288**	252
	Average invested operating capital of continuing operations	**1 783**	1 762
		= 16.2%	= 14.3%
Adjusted operating cash flow		**299**	273
Gearing			
=	Net debt	**392**	452
	Total equity	**1 367**	1 332
		= 29%	= 34%

Note:
All ratios are calculated based on unrounded figures in £ million. Net debt to EBITDA, interest cover, Adjusted Free cash flow, Adjusted operating cash flow, Average invested operating capital and return on capital employed are defined and reconciled in Note 3 of the attached financial information. Gearing is prepared using equity accounted net debt and total equity from the consolidated statement of financial position.